



Strategies  
For  
Success

*BUSINESS  
CHALLENGES  
&  
OPPORTUNITIES  
IN 2009*

Strategies for Success — Winter 2008

2009 Lockbox Plans — Dave Bracken — CMS 19



## Welcome To Strategies for Success: Business Challenges and Opportunities in 2009

It is difficult to find anyone that doesn't believe that 2009 will be a challenging year for business. Combined with the economic and financial challenges we will face are opportunities. The challenge is indentifying those opportunities that are directly applicable, affordable and quick to implement.

will manage our way through. Most often in times of change the end-user community looks to vendors and service providers to provide the strategic direction for change



management. Additionally a partnership between the vendor and end-user communities develops the appropriate methodology for execution.

In this issue of Strategies for Success four leading vendors in the business of transaction processing share their strategic vision of how to deal with the challenges we are facing.

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We in the transaction processing market are better prepared for change than many of our peers in other industry segments. For more than twenty-five years we have been dealing with an environment that has been in constant change. We have experienced centralized and decentralized processing, the introduction of image technology, the rollout of ARC and Check21, a decline in paper check volume a rebirth of ACH transactions and the introduction of remote deposit capture.

The current economic events are another change that we

*"2009 LOCKBOX PLANS: TURN COST REDUCTIONS INTO REVENUE OPPORTUNITIES."*

*By - Dave Bracken*

There is no doubt this is a time of challenges.

Lockbox customers are looking for new services; prospects are looking for new functionality. Every day brings requests for document imaging, online decisioning, internet delivery, EOB processing, AR Matching, Electronic payment integration and collection points beyond your current footprint. At the same time, your operation is looking to implement labor saving tools like ICR processing, paper truncation, off site keying, look-up tables, and remitter name databases. This needs to be done while maintaining above industry quality levels and below market pricing.

And you still have to increase revenues by 10% - all during a recession.

The challenges are there, but so too are opportunities. When others

are standing still or pausing, it is the successful companies that step forward.

The use of checks is declining, but remember the lockbox customers are still there. Corporate customers are your banks most important asset. Wholesale lockbox customers represent the largest and most valuable customers to your bank. As you look at this year, it's

important to consider your customers also face cost reduction requirements. And you can help. Success in 2009 will come from helping your customers discover efficiencies in their operations or cost reductions. You must become an expert on your customers' needs and their use of the

lockbox; help them identify their costs; offer new labor saving options; and turn cost reductions into revenue opportunities.

The opportunities for cost reductions exist: postage expenses, reject handling, paper returns, IT support, system upgrades, adding new locations, and implementing efficient technologies. The following are examples of where lockbox operations have discovered these savings, and the resultant revenue opportunities.



### Truncation

Much is written on the benefits of imaging on productivity and efficiencies, but it is still expensive if you have to re-associate and return the paper. Truncation of paper can help reduce postage expenses. Postage normally isn't an internal lockbox expense, but to the customer it is a part of the cost of the service. A successful strategy is to integrate internet delivery as an integral product offering and identify the postage cost savings in developing the business case for your customer. One bank identified a \$33.00 month postage expense for each customer. The bank promoted the postage savings as a key message in the marketing of internet delivery to their customers. As a result, the bank reduced its labor expense and error exposure in mail-out and the customer lowered its monthly lockbox expenses from the new service.



Learn from your customers.

Find out what the lockbox customers are doing with the package from the lockbox. Most times, a payment poster manually enters data into their accounting system. Many of these systems can take an electronic feed. Help your customer to understand the labor savings from an automated feed to their

AR systems. Offer standardized transmission formats, Txt or CSV, so they

can manipulate the data themselves - without the need for customization. The customers can reduce payment reconciliation expenses and the lockbox adds revenue with data collection and transmission fees.

### Collect Payments Data.

If the customer is not using data entry, find out why. Highlight their labor savings from automated posting of lockbox data. Introduce dynamic specialized solutions such as EOB, property management, and non-profit processing. Save labor by using flexible ICR technologies, table look-ups, remitter name databases, etc. to reduce keying. Bring in new payment streams such as ACH, online bill pay, or Integrated Voice Response (IVR). By integrating and providing a single source of data and payment history, your customers can save by streamlining their transmissions, and the lockbox can increase revenues with new solutions.

### Pass on the savings.

One bank added a lower priced “easy lockbox” product that truncated all payment documents and only delivered information through the internet portal. A word of advice, if you discount for truncation, add a premium charge for returning the paper. Be warned, if the customer is willing to pay more for the paper, it’s important to them, so you’d better make sure the packages are correct. There is no more embarrassing error than a mail out error. You impact two customers; and potentially send confidential information to another company. Implement a mail out solution to ensure package quality and premium information delivery. Use electronic notifications to tell the customer the important package is on its way. These tools will allow you to save the costly labor associated with packaging/mailling errors and add revenue with a premium package delivery offering.

### Analyze rejects.

Another bank performed a study of the items returned to the customer unprocessable. Items were rejected due to payee questions, invoice totals that didn’t match check amounts, missing signatures, etc. Many of these items could have been decisioned by the customer and deposited the same day. In one case, it took five days for a rejected item to be fully

disposed, including: sending the reject, distributing the items within the customer’s accounting department, adding the missing information, re-batching with other “decisioned” items, and re-depositing to the bank. A five day deposit delay for items that could have been decisioned online the same day. The business case to implement online decisioning was an easy one. Again, turn savings – reject processing, repackaging, mail out – into revenue for an online decisioned item.

### Expand your footprint.

Expand the reach of your lockbox service to collect items beyond your current capture locations. At CMS, we call this Capture Anywhere/ Key Anywhere, while our customers call it a cost effective solution. Bank lockbox operations capture and consolidate lockbox payments from different locations with lower IT resources. Using thin client interfaces, operators access and perform data keying/ validation from anywhere without having to build out a system at each site.

### Think outside the box.

Another bank turned the capture location challenge into an opportunity by using CMS’ new “Split Sourcing” configuration. The bank maintained the mail collection and image capture locally and transmitted the images to CMS’s servicing division for data



completion, x9.37 file creation, transmission and internet delivery. The bank retained the P.O. Box, opening operations, and mail out, but outsourced the back end processes and system maintenance. CMS is now offering a hosted version of our leading lockbox software, in an ASP service, to banks looking to expand their current solutions cost effectively. A bank can use the ASP to add new services or to build initial capabilities and have the path laid out to bring the system in-house when needed. Look for creative methods to lower the cost of new product offerings without capital expenditures.

Have a long term vision.

You read everyday about the declining check volume, so too are the final approval makers on any new purchase decision. As the payment mix begins to change look for a solution that helps to stabilize costs, without impacting the product delivery. Step you way into outsourcing with options like CMS's "Split Source" services for parts of your solution that have a variable per unit cost. Reduce staff requirements by outsourcing the data completion. Lower IT infrastructure costs by tapping into an ASP hosted solution. Look for the options to share keying, transmissions, customer setup, or system maintenance services. With the challenge of volumes growing or decreasing, you must look for opportunities for certain business processes to be shared outside your organization.

What is the secret? How can you accomplish most of these goals? The

answer is to look to your vendor. For years, vendors have included the line "we work like partners" on presentations and discussions. In 2009, challenge your vendor to help you reach your goals.

- Can you share labor?
- Can you leverage technology for specific solutions?
- Can you "Split Source" services?
- Can you lower IT costs?
- Can you upgrade the system yourself?
- Can you add new scanning locations cost effectively?

At CMS, we enjoy a unique perspective on the industry. Our software development group invents solutions to grow lockbox business and our servicing group uses the applications to meet many of the challenges seen everyday. We see the difficulties, and develop the solutions to meet them.

Yes, in 2009 there will be challenges, so too will there be opportunities.. --opportunities to increase the efficiencies of your

operation; - opportunities to work with your customers; - and opportunities to grow your lockbox business.

*Biography-*

*Dave Bracken is the VP Sales for CMS, a leader in lockbox solutions with 4 of the top 5 banks as customers. CMS features easy to maintain software, Outsource lockbox services, ASP hosting, and*

*new Split Sourced system integrations. Dave has over 18 years experience in lockbox product management, cash management sales, and software development. Dave can be reached at 727-451-8004 or [dave.bracken@cashmgmt.com](mailto:dave.bracken@cashmgmt.com).*



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